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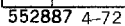
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**VIETNAM:** There has been little change in the situation on any of the three major battlefronts. At the same time, Communist gains at the local level in many parts of South Vietnam are becoming more apparent.

Small Communist regular units and local forces throughout the country have been moving on vulnerable targets in populated areas, such as government outposts, refugee centers, and district towns. In Quang Ngai Province, although the provincial capital remains quiet, enemy units have made considerable inroads in at least two nearby districts. In neighboring Binh Dinh Province the enemy has captured two district capitals in the past few days. The Communists have had similar successes in various other regions, including many parts of the Mekong Delta. They now control a number of district towns and large portions of several provinces throughout the country. Their efforts have been abetted in many cases by a lack of aggressiveness on the part of Saigon's provincial and militia forces.

Extending Communist influence at the local level and undermining Saigon's control in the countryside seems to be a major part of enemy plans. In many areas the Communists are following up their military efforts with attempts to establish civil administrations in newly seized territory. The North Vietnamese units that are assisting Viet Cong cadre apparently are under orders to treat the local populace well.

\* \* \* \*

The Communists are continuing their harassing attacks against US naval vessels operating in the Gulf of Tonkin off the coast of North Vietnam. Yesterday two MIG-17s and several motor torpedo boats attacked four US ships east of Dong Hoi. One of the MIGs bombed a US destroyer, causing heavy damage to the vessel and wounding four of its crew.)

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One of the other US ships fired surface-to-air missiles at the attacking MIGs and downed one of them. The same ship also apparently sank two of the motor torpedo boats. Communist shore batteries exchanged gunfire with all four US ships but none of the vessels was hit.

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\*CHILE: An agreement has been reached with the "Paris Club" on the rescheduling of Chile's foreign debt.

The compromise agreement grants Chile a one-year extension on 70 percent of the debt that fell due at the end of 1971. Chile agreed to accept this consolidation period--shorter than it had asked for--on the understanding that the repayment schedule would be reviewed at the end of 1972. Chile also agreed that it eventually would pay its entire external debt and would provide "just" compensation for all nationalized property.

In a relatively moderate address to a large rally in Santiago on 18 April, President Allende announced that he would submit a bill to Congress calling for nationalization of all ITT holdings. He pointed out that this was not confiscation, and that compensation would be paid as appropriate. Elsewhere in his speech, however, by claiming that ITT had invested only \$28 million in Chile and had taken out \$360 million in profits, Allende laid the groundwork for paying less than adequate compensation. He clearly wants to keep his options open.

\*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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MAURITIUS-CHINA: Prime Minister Ramgoolam's recent visit to Peking resulted in the establishment of diplomatic relations and the granting of a generous Chinese loan to Mauritius.

A joint communiqué issued after Ramgoolam's visit said relations will be established at the ambassadorial level. Mauritius recognized Peking as the sole legal government of all the Chinese people. Unless China radically changes its past policy, Mauritius will have to cut its ties to Taiwan, which has provided important agricultural aid, in order to receive a resident Chinese envoy.

A separate communiqué issued by the prime minister's office in Port Louis states that Peking will grant Mauritius an interest-free loan over the next five years, totaling \$35 million. The loan, large by Mauritian standards, would represent about 43 percent of the foreign aid needed to finance the government's four-year plan and make China Mauritius' largest single aid donor.

Peking's interest in establishing relations stems mainly from its general policy of strengthening its standing among third world countries and undercutting the position of the US, USSR, and Taiwan. A diplomatic post in Mauritius will help the Chinese to keep an eye on Soviet moves in the Indian Ocean. The island also could provide port facilities in support of Chinese ICBM testing, if the missiles are targeted into the Indian Ocean.

The generous aid offer represents a significant victory for Ramgoolam. It should help him overcome the fears of conservatives in his coalition government that Chinese representation will result in a threat to internal security by increasing Communist influence among the financially important Chinese community.

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URUGUAY: Communist-controlled unions are continuing a general strike in protest against the killing of seven party members in a clash with a military unit on 17 April.

A government communiqué, issued 15 hours after the incident, blames the Communists for the clash, but the US Embassy has commented that the Uruguayan Communist Party has carefully avoided armed conflict in the past and there is no evidence to indicate that this posture has changed. Party leaders condemned the shooting as a "workers massacre," and leftist Frente Amplio Senator Enrique Erro has called for an immediate Senate investigation of extralegal "death squads."

Opposition Blanco leader Wilson Ferreira, who has cooperated with President Bordaberry since the "war" with the Tupamaros began on 14 April, opposed Erro's request on the ground that the government has already promised to move against rightist terrorist groups. Unless Bordaberry acts promptly and decisively on this issue, he may lose the Blanco support he must have to deal effectively with political leftists and terrorists.

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EGYPT-USSR: President Sadat may be planning a trip to Moscow before mid-May. The visit will provide a final opportunity for consultations with the Soviets before President Nixon's visit to the USSR. Egyptian Foreign Minister Ghalib had been scheduled to travel to the Soviet Union for some time, but Sadat's apparent decision to go himself underscores Cairo's estimate of the importance of the US-Soviet summit talks for the Middle East situation. Although bilateral military and economic matters presumably will be covered, Sadat's principal aim probably will be to obtain assurances from the Soviet leaders that Egyptian interests will be fully protected in Soviet discussions with President Nixon on the Arab-Israeli impasse. Sadat may also believe that the question of controls on arms shipments to the Middle East will figure in the US-USSR summit, and he would wish to elicit a full exposition of Soviet views on this sensitive issue. [REDACTED]

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CHINA-SUDAN: The two countries signed a military aid agreement earlier this week, according to Sudanese press reports. The pact, the first between Peking and Khartoum, probably formalizes negotiations held last December when Sudanese Vice-President and Defense Minister Khalid Hasan Abbas visited China. The agreement covers training of Sudanese military personnel, but some military equipment may be included. A small number of Chinese military instructors arrived in the Sudan earlier this year. Since President Numayri's successful counter-coup last July, Peking has attempted to step into the opening provided by the decline in Sudanese-Soviet relations by sharply increasing its economic aid and political support for his regime. [REDACTED]

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JAPAN: Tokyo, hoping to forestall stringent protectionist legislation threatened by the Benelux countries, will "voluntarily" restrict electronic exports to Western Europe and the US. As a result of rising criticism of the sharp increases in such exports, the Ministry of International Trade and Industry has announced price and quota restrictions to become effective within the next two months. Quota restrictions will apply to desk-top electronic calculators, while minimum export prices will be established for radios, tape recorders, and black and white televisions. Minimum export prices on color televisions are to be increased. Japanese producers already are trying to minimize the effects of the controls, which, in any case, probably will not be stringent enough to satisfy Japan's trading partners completely. [REDACTED]

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\* \* \* \*

GOLD: The price of gold rose to a record high level of \$49.47 per ounce on the London market this week. The recent price rise probably is largely attributable to supply shortages and not to developments in international currency markets. An unexpected decline in South African production, related in part to a costly mine fire, probably has reduced the flow of newly mined gold to world markets. The price of gold could climb above \$50 an ounce in the coming months, especially if South Africa takes advantage of its improved balance-of-payments outlook by withholding from the market some of its newly mined gold. If the Soviet Union, however, soon carries out its reported intention of selling substantial quantities of gold, upward pressures on gold prices would be dampened. [REDACTED]

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ROMANIA: A recent plenum of the party central committee shifted Paul Niculescu-Mizil, the party ideologue and a long-time associate of President Ceausescu, from the party secretariat to the post of deputy premier, his first governmental assignment. Among other possibilities, the new assignment could signal Ceausescu's intention to groom Niculescu-Mizil to succeed the highly able but ailing 70-year-old Premier Ion Gheorghe Maurer. The shift of Niculescu-Mizil and other personnel changes probably are related to preparations for a national party conference now slated for July. [REDACTED]

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